

PALLADON VENTURES LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED NOVEMBER 30, 2008

PALLADON VENTURES LTD.

Notice of No Auditor Review of Interim Consolidated Financial Statements

Under *National Instrument 51-102, Part 4, subsection 4.3 (3)(a)*, if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

“Donald G. Foot, Jr.”
Chief Executive Officer

January 29, 2009

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
 INTERIM CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

	<u>ASSETS</u>	<u>Nov. 30, 2008</u>	<u>Feb. 29, 2008</u>
Current			
Cash		\$11,325,006	\$ 820,381
GST recoverable		47,352	47,774
Accounts receivable		4,717	13,232
Marketable securities		166,500	166,500
Inventory		1,072,875	
Total Current Assets		12,616,450	1,047,887
Equipment – Note 3		5,861,920	69,542
Reclamation Bond – Note 4		934,422	636,220
Mineral properties – Notes 4,5,6 and Schedule 1		23,041,730	24,028,077
Other – Note 6		10	10
Goodwill		<u>69,006,468</u>	<u>0</u>
Total Assets		<u>\$111,461,000</u>	<u>\$ 25,781,736</u>
<u>LIABILITIES</u>			
Current			
Accounts payable and accrued liabilities		\$1,541,636	\$ 860,084
Due to related party – Note 9		<u>243,972</u>	<u>883,014</u>
Total Current Liabilities		1,785,608	1,743,098
Loans payable – Note 7		37,637,584	9,251,843
Non-controlling interest- note 11		<u>0</u>	<u>4,308,306</u>
Total Liabilities		<u>\$39,423,192</u>	<u>\$ 15,303,247</u>
<u>SHAREHOLDERS' EQUITY</u>			
Share capital – Note 8		101,263,984	35,691,028
Contributed surplus – Note 8		3,166,383	3,166,383
Deficit – Note 2		<u>(32,392,559)</u>	<u>(28,378,922)</u>
		72,037,808	10,478,489
Total Liabilities and Shareholder Equity		<u>\$111,461,000</u>	<u>\$ 25,781,736</u>

Nature and Continuance of Operations – Note 1
 Commitments – Notes 4, 5, 6

APPROVED BY THE DIRECTORS:

SEE ACCOMPANYING NOTES

“Donald G. Foot, Jr.” Director

“Annjanine F. Etzel” Director

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2008 AND 2007

	Three Months Ended November 30		Nine Months Ended November 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Sales	\$0	\$ 46,332	\$0	\$ 134,605
Cost sales, delivery	0		0	28,893
Gross margin	<u>0</u>	<u>46,332</u>	<u>0</u>	<u>105,712</u>
General and Administrative Expenses				
Amortization	403,519	4,684	427,271	10,459
Bank charges	177	133	842	1,081
Consulting	171,681	16,570	218,839	100,990
Interest	1,000,951	218,840	2,145,742	866,456
Investor relations	8,769		9,532	
Management fees				15,000
General and administration	146,086	31,583	294,513	299,620
Professional fees	46,321	18,457	282,685	124,765
Rent	40,607	50,167	99,564	141,155
Salaries and benefits	276,018	204,383	741,233	697,809
Shareholder communications		1,215	46,583	7,513
Telephone	3,381	3,977	9,913	13,591
Transfer agent and filing fees	17,265	4,025	31,472	59,354
Travel and promotion	41,002	26,006	90,024	181,905
Operating Expenses	<u>210,875</u>		<u>210,875</u>	
	<u>2,366,652</u>	<u>(582,072)</u>	<u>4,609,088</u>	<u>(2,5397,86)</u>
Loss before other items	(2,366,652)	(535,740)	(4,609,088)	(2,434,074)
Other items:				
Interest income		464	507	2,252
Other income	115	1,673	13,783	548,323
Gain (loss) on foreign exchange	(947,950)	(5,616)	(997,327)	(72,600)
	<u>(947,835)</u>	<u>(7,753)</u>	<u>(983,037)</u>	<u>477,975</u>
Net income (loss) for the period before non-controlling interest	(3,314,487)	(527,987)	(5,592,125)	(1,956,099)
Non-controlling interest		<u>(134,830)</u>	<u>(166,425)</u>	<u>(586,986)</u>
Net income (loss) for the period	(3,314,487)	(393,157)	(5,425,700)	(1,369,112)
Deficit, beginning of the period	<u>(30,490,135)</u>	<u>(24,863,512)</u>	<u>(28,378,922)</u>	<u>(23,887,556)</u>
Deficit, end of the period	<u>\$(33,804,622)</u>	<u>\$ (25,256,668)</u>	<u>\$(33,804,622)</u>	<u>\$ (25,256,668)</u>
Basic and fully diluted				
income (loss) per share	<u>(0.02)</u>	<u>\$ (0.005)</u>	<u>(0.04)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	168,569,632	76,417,465	129,694,274	6,080,261

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2008 AND 2007

	Three Months Ended November 30	
	<u>2008</u>	<u>2007</u>
Operating Activities		
Net income (loss) for the period	\$ (3,314,487)	\$ (383,157)
Items not involving cash:		
Amortization	403,519	4,684
Shares issued for debt		
Stock-based compensation		
Non-controlling interest		134,830
Unrealized foreign exchange loss (gain)	2,711,628	5,616
	(199,340)	(238,027)
Changes in non-cash working capital items:		
GST recoverable		
Inventory	(1,072,875)	
Prepaid expenses		
Accounts payable and accrued liabilities	1,079,622	(395,398)
Cash used in operating activities	(192,593)	(633,425)
Investing Activities		
Investing Activities		
Acquisition of equipment	(713,495)	
Mineral property costs	(1,448,747)	(823,424)
Cash used in investing activities	(2,162,242)	(823,424)
Financing Activities		
Advances from (to) related parties	1,130	6,153
Issuance of shares for cash, net of share issue costs	-	-
Cash provided by financing activities	1,130	6,153
Increase (decrease) in cash during the period	(2,353,705)	(1,730,356)
Cash, beginning of the period	13,678,711	4,117,928
Cash, end of the period	\$11,325,006	\$ 2,387,572
Supplemental disclosure of cash flow:		
Cash paid for:		
Interest	\$ 0	218,840
Income taxes	\$ -	\$ -

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND RELATED EQUIPMENT
For the year ended November 30, 2008

Schedule 1

	<u>Argentina</u>		<u>USA</u>								<u>Total</u>
	<u>Utah Copper</u>	<u>Genesis Gold</u>	<u>Mineral Property</u>	<u>Iron Mountain</u>					<u>Power Line</u>		
				<u>Equipment Under Construction</u>				<u>Plant</u>			
				<u>Ball Mill</u>	<u>Rail Line</u>	<u>Transformer</u>	<u>Substation</u>				
Balance, beginning	\$ 10	\$ 894,652	\$ 14,129,278	\$ 1,467,175	\$ 2,495,036	\$ 944,559	\$ 2,546,271	\$ 1,040,371	\$ 510,715	\$ 24,028,077	
Acquisition and construction costs	-	-	1,141,316	28,808	1,347,893	38,180	28,000	308,067	507,661	3,399,925	
Exploration expenditures											
Claim Fees			19,145							19,145	
Field costs	-	-	-	-	-	-	-	-	-	-	
Geological consulting	-	-	97,355	-	-	-	-	-	-	97,355	
Security and site maintenance	-	-	121,684	-	-	-	-	-	-	121,684	
Miscellaneous	-	-	-	-	27,890	-	-	-	-	27,890	
Less: ore sales net of cost	-	-	(76,959)	-	-	-	-	-	-	(76,959)	
	-	-	161,224	-	27,890	-	-	-	-	189,115	
Assets placed in service*						(982,739)	(2,574,271)		(1,018,376)	(4,575,386)	
Write-offs	-	-	-	-	-	-	-	-	-	-	
Total	<u>\$ 10</u>	<u>\$ 894,652</u>	<u>\$ 15,431,818</u>	<u>\$ 1,495,983</u>	<u>\$3,870,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,348,438</u>	<u>\$ -</u>	<u>\$ 23,041,730</u>	

*Assets placed in service at 9-1-08 when Iron Mountain project went into production

PALLADON VENTURES LTD.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND RELATED EQUIPMENT
For the year ended February 29, 2008

Schedule 1

	<u>Argentina</u>	<u>USA</u>									<u>Total</u>
	<u>Utah Copper</u>	<u>Genesis Gold</u>	<u>Mineral Property</u>	<u>Iron Mountain</u>					<u>Power Line</u>		
				<u>Equipment Under Construction</u>							
				<u>Ball Mill</u>	<u>Rail Line</u>	<u>Transformer</u>	<u>Substation</u>	<u>Plant</u>			
Balance, beginning	\$ 1,441,206	\$ 10	\$ 894,652	\$ 14,403,729	\$ 1,219,526	\$ 2,485,999	\$ 786,637	\$ 649,686	\$ 556,428	\$ -	\$ 22,437,873
Acquisition and construction costs	-	-	-	-	247,649	9,037	157,922	1,896,585	483,943	510,715	3,305,851
Exploration expenditures (recovered)											
Field costs	394,555	-	-	51,909	-	-	-	-	-	-	446,464
Geological consulting	-	-	-	14,442	-	-	-	-	-	-	14,442
Security and site maintenance	-	-	-	320,843	-	-	-	-	-	-	320,843
Less: proceeds on land sale	-	-	-	(515,701)	-	-	-	-	-	-	(515,701)
Less: ore sales net of cost	-	-	-	(145,944)	-	-	-	-	-	-	(145,944)
	<u>394,555</u>	<u>-</u>	<u>-</u>	<u>(274,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,104</u>
Write-offs	<u>(1,835,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,835,751)</u>
Total	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 894,652</u>	<u>\$ 14,129,278</u>	<u>\$ 1,467,175</u>	<u>\$ 2,495,036</u>	<u>\$ 944,559</u>	<u>\$ 2,546,271</u>	<u>\$ 1,040,371</u>	<u>\$ 510,715</u>	<u>\$ 24,028,077</u>

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

Note 1 Nature and Continuance of Operations

Palladon Ventures Ltd. (the “Company”) is a public company incorporated on August 25, 1980 under the Company Act of British Columbia and is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At November 30, 2008, the Company was in the exploration or production stage on various properties, and had interests in properties located in Argentina and the United States of America. The Company is listed on the TSX Venture Exchange (the “Exchange”) and the Frankfurt exchange.

The Company has commenced mining at its Iron Mountain facility in Southern Utah, USA. The Company is in the development stage as to all other properties and is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company’s interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As of November 30, 2008, the Company has not yet achieved profitable operations and has accumulated losses of \$33,804,622 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Significant Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements. Therefore readers are advised to refer to the company's annual audited financial statements for the year ended February 29, 2008 for additional information.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

Note 2 Significant Accounting Policies (continued)

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 3 Equipment:

	<u>November 30, 2008</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Equipment, furniture, office	\$ 6,319,192	\$ 457,272	\$ 5,861,920
	<u>\$ 6,319,192</u>	<u>\$ 457,272</u>	<u>\$ 5,861,920</u>
	<u>February 29, 2008</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office furniture and equipment	\$ 103,524	\$ 33,982	\$ 69,542
	<u>\$ 103,524</u>	<u>\$ 33,982</u>	<u>\$ 69,542</u>

Note 4 Reclamation Bond

The Company is obligated to provide an amount of US\$1,426,900 as security for future reclamation work on the Iron Mountain property. The Company has obtained an insurance policy to fund on the original balance US\$1,300,000 in the event that a claim is made. The Company has deposited US\$650,000 with the insurance company as additional security on the policy for the original US\$1,300,000. In August, 2008, after the Utah Division of Oil & Gas and Mining recalculated the necessary surety with the start of mining operations, it was determined that the total bond liability for the next five-year term commencing in 2008 is \$1,426,900. The Company deposited the additional \$126,900 with DOGM as additional security on the Reclamation Bond.

Note 5 Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

Argentina

During the year ended February 29, 2008, the Company wrote off \$1,441,196 to record the carrying value at a nominal amount of \$10.

Utah, USA

- a) On January 5, 2007 Western Utah Copper exercised its option to purchase the Company's interest in the Utah Copper project for US\$3 million (received), a 1% net smelter royalty from copper produced from the current resource (maximum US \$10 million) and a 2% net smelter royalty from copper produced from newly-discovered ore bodies.

As a result of the disposal of its direct interest in the property, the Company wrote off the remaining carrying value by \$4,180,792 to a nominal value of \$10 during the year ended February 28, 2007.

- b) During the quarter ended May 31, 2008, Palladon Iron Corporation signed a five-year contract which provides for the sale of run-of-mine iron ore to China Kingdom International (CKI) and its Australian subsidiary, China Kingdom International Australia, at an initial rate of 2,000,000 metric tonnes per twelve month period. Pricing is fixed through March 31, 2009, and will adjust for future annual periods based on changes in the World Benchmark price for iron ore. The contract price is quoted FOB west coast U.S. port, with CKI responsible for all ocean-going freight including the contracting and scheduling of ocean vessels. PIC estimates initial capital investment to be less than US\$5 million. Due to the commodity crisis and the over-capacity in storage barns on the west coast, PIC is now investigating alternative port options that will allow for transport of the iron ore from a different west coast port at suitable economics. Palladon Iron expects to have this completed in the short term.

Note 6 Other Asset

During the year ended February 28, 2005, the Company completed an arrangement for securitizing certain default loans payable to the Company. In that arrangement, the debtor conveyed to the Company an undivided 50% interest in certain land holdings, known as the Murdock Railroad Property, located in Beaver County, Utah. The Company's interest in the land holding has been recorded at a nominal value of \$10.

Note 7 Loans Payable

The Company entered into a loan payable to Luxor of US\$12,750,000 with interest at 9.25% per annum due September 24, 2010. The loan is secured by a promissory note, a general security agreement, the shares of PIC and a mortgage on the Murdock Railway property. During the year ended February 29, 2008, the Company paid the Luxor loan down to a balance of US\$9,251,843. During the period ended August 31, 2008, the Company purchased Luxor's interest in PIC. The purchase price included a deferred seller payment of US\$25 million due to Luxor 12 months after closing. The deferred seller payment is fully secured by the assets of PIC and carries interest at 11.6% with no prepayment penalty. This payment is due June 28, 2009. The existing loan was amended so that the maturity date is the same as when the deferred seller payment is due. All

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

Cancelled	(30,000)	\$0.85	(1,125,000)	\$0.74
	(335,000)	\$0.75		
	(440,000)	\$0.40		
	(100,000)	\$0.45		
	(50,000)	\$0.80		
Outstanding, end of period	<u>1,480,000</u>	\$0.51	<u>2,835,000</u>	\$0.57
Exercisable, end of period	<u>1,480,000</u>		<u>2,835,000</u>	

November 30, 2008, there were employee, director and agent's share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
200,000	\$0.75	April 21, 2010
150,000	\$0.85	August 8, 2010
50,000	\$0.75	August 29, 2010
480,000	\$0.40	December 15, 2011
<u>600,000</u>	\$0.40	November 5, 2012
<u>1,480,000</u>	\$0.51	

Share Purchase Warrants

At November 30, 2008, the Company had share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
10,250,080	\$0.50	September 11, 2009
<u>22,061,739</u>	\$1.00	December 26, 2009
<u>32,311,819</u>	\$0.84	

Contributed Surplus:

<u>November 30,</u>	<u>February 29,</u>
<u>2008</u>	<u>2008</u>

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

Balance, beginning of period	\$ 3,166,383	\$ 2,288,089
Fair value of share purchase options granted	-	493,919
Private Placement		282,375
Stock-based compensation	<u>-</u>	<u>102,000</u>
Balance, end of period	<u>\$ 3,166,383</u>	<u>\$ 3,166,383</u>

Note 9 Related Party Transactions

The Company incurred the following transactions with related parties consisting of current and/or former directors of the Company or private companies controlled by them:

	Three Months Ended	
	November 30, <u>2008</u>	November 30, <u>2007</u>
Salaries	<u>\$ 71,875</u>	<u>\$ 101,112</u>
Total	<u>\$ 71,875</u>	<u>\$ 101,112</u>

Note 10 Financial Instruments

a) Credit risk:

The Company estimates, on a continuing basis, the probable losses, and provides a provision for losses based on the estimated realizable value.

b) Foreign currency risk:

The Company is exposed to fluctuations in foreign currencies through its operations in the United States. The Company monitors this exposure, but has no hedge positions. At November 30, 2008, cash totalling \$9,764,716 (February 29, 2008: \$820,381) was held in U.S. dollars.

Note 11 Non-controlling Interest

On June 26, 2008, the Company acquired the interest of its joint venture partner, Luxor Capital Partners (“Luxor”) in Palladon Iron Corporation (“PIC”). The transaction allows the Company to fully consolidate PIC under Palladon’s ownership.

Note 12 Subsequent Events

Subsequent to November 30, 2008:

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

Share Purchase Options:

	<u>Shares</u>	Weighted Average Exercise <u>Price</u>
Outstanding, February 29, 2008	2,835,000	\$0.57
Exercised	(400,000)	\$0.40
Cancelled	(30,000)	\$0.85
	(335,000)	\$0.75
	(740,000)	\$0.40
	(100,000)	\$0.45
	(50,000)	\$0.80
Outstanding, January 29, 2009	<u>1,180,000</u>	
Exercisable, January 29, 2009	<u>1,180,000</u>	

At January 29, 2009, there were employee, director and agent's share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
200,000	\$0.75	April 21, 2010
150,000	\$0.85	August 8, 2010
50,000	\$0.75	August 29, 2010
330,000	\$0.40	December 15, 2011
<u>450,000</u>	\$0.40	November 5, 2012
<u>1,180,000</u>		